

TOWNSHIP OF VICTOR
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Victor	County Clinton
Fiscal Year End March 31, 2008	Opinion Date May 21, 2008	Date Audit Report Submitted to State May 23, 2008	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|---|--------------------------|---|
| 1. <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF VICTOR
Clinton County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 21, 2008

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Victor, Clinton County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Victor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Victor, Clinton County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Victor Township Board provides interested parties with the following report of the Township's financial statements and a narrative overview and analysis of the financial activities of Victor Township for the fiscal year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

The assets of Victor Township exceeded its liabilities at the close of the most recent fiscal year by \$1,012,436.46 (net assets). Of this amount, \$504,142.69 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$504,142.69, an increase of \$1,679.27 in comparison with the prior year. This represents unreserved fund balance and is available for spending at the Township's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Victor Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements present the functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include: (Legislative, general government, building and grounds, cemetery, public safety, community and economic development, public works (roads and drains), health and welfare, recreation and culture, and capital outlay.)

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Victor Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township maintains a governmental fund and a fiduciary tax fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

TOWNSHIP OF VICTOR
Clinton County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	511 043	510 680
Capital Assets	<u>531 962</u>	<u>508 294</u>
Total Assets	<u>1 043 005</u>	<u>1 018 974</u>
Current Liabilities	8 580	6 538
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>8 580</u>	<u>6 538</u>
Net Assets:		
Invested in Capital Assets	531 962	508 294
Unrestricted	<u>502 463</u>	<u>504 142</u>
Total Net Assets	<u>1 034 425</u>	<u>1 012 436</u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:		
Fees and Charges for Services	69 832	57 692
General Revenues:		
Property Taxes	256 472	274 250
State Revenue Sharing	228 552	230 368
Interest	7 919	8 012
Miscellaneous	<u>15 070</u>	<u>7 156</u>
Total Revenues	<u>577 845</u>	<u>577 478</u>
Program Expenses:		
Legislative	30 382	30 764
General Government	128 434	131 943
Public Safety	198 781	192 556
Public Works	156 591	238 037
Recreation and Culture	5 038	3 667
Economic Development	<u>-</u>	<u>2 500</u>
Total Expenses	<u>519 226</u>	<u>599 467</u>
Increase (Decrease) in Net Assets	58 619	(21 989)
Net Assets, April 1	<u>975 806</u>	<u>1 034 425</u>
Net Assets, March 31	<u>1 034 425</u>	<u>1 012 436</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide (pension benefits) to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The most significant portion of the Township's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Governmental activities - Governmental activities decreased the Township's net assets by \$21,988.96 accounting for 100% of the total increase in the net assets of the Township. Expenses were in line with budget.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds - The focus of the Township's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$504,142.69. The total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$508,293.77 (net of accumulated depreciation).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Victor Township receives only constitutional revenue sharing and therefore expects that State-shared revenues will remain relatively flat or slightly increase in the future fiscal years. The Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. Taxable value increased from last year. These factors were considered in preparing the Township's budget for the 2008-2009 fiscal year.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of Victor Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Treasurer or Clerk of Victor Township, 6843 E. Alward Road, Laingsburg, Michigan 48848, or call 517-651-2094.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	491 645 89
Taxes receivable	<u>19 034 80</u>
Total Current Assets	<u>510 680 69</u>
NON-CURRENT ASSETS:	
Capital Assets	703 579 77
Less: Accumulated Depreciation	<u>(195 286 00)</u>
Total Non-current Assets	<u>508 293 77</u>
TOTAL ASSETS	<u><u>1 018 974 46</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>6 538 00</u>
Total Current Liabilities	<u>6 538 00</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>6 538 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	508 293 77
Unrestricted	<u>504 142 69</u>
Total Net Assets	<u>1 012 436 46</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 018 974 46</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	30 763 62	-	(30 763 62)
General government	131 943 45	50 392 48	(81 550 97)
Public safety	192 556 42	-	(192 556 42)
Public works	238 036 49	7 300 02	(230 736 47)
Economic development	2 500 00	-	(2 500 00)
Culture and recreation	3 667 00	-	(3 667 00)
Total Governmental Activities	<u>599 466 98</u>	<u>57 692 50</u>	<u>(541 774 48)</u>
General Revenues:			
Property taxes			274 249 59
State revenue sharing			230 367 76
Interest			8 011 98
Miscellaneous			7 156 19
Total General Revenues			<u>519 785 52</u>
Change in net assets			(21 988 96)
Net assets, beginning of year			<u>1 034 425 42</u>
Net Assets, End of Year			<u>1 012 436 46</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	486 512 24
Taxes receivable	19 034 80
Due from other funds	<u>5 133 65</u>
Total Assets	<u>510 680 69</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>6 538 00</u>
Total liabilities	<u>6 538 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>504 142 69</u>
Total fund equity	<u>504 142 69</u>
Total Liabilities and Fund Equity	<u>510 680 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	504 142 69
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	703 579 77
Accumulated depreciation	<u>(195 286 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 012 436 46</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	274 249 59
Licenses and permits	6 291 77
State revenue sharing	230 367 76
Charges for services – PTAF	38 509 41
Charges for services – other	5 591 30
Interest	8 011 98
Special assessments	7 300 02
Miscellaneous	<u>7 156 19</u>
Total revenues	<u>577 478 02</u>
Expenditures:	
Legislative:	
Township Board	30 763 62
General government:	
Supervisor	12 387 00
Elections	2 488 94
Assessor	25 344 36
Clerk	21 007 74
Board of Review	884 25
Treasurer	15 625 42
Building and grounds	30 667 47
Cemetery	13 592 27
Public safety:	
Fire protection	172 721 42
Law enforcement	1 000 00
Planning	95 00
Public works:	
Highways and streets	212 211 59
Drains	13 492 40
Weeds	12 332 50
Economic development:	
Economic development	2 500 00
Culture and recreation:	
Library	2 000 00
Capital outlay	<u>6 684 77</u>
Total expenditures	<u>575 798 75</u>
Excess (deficiency) of revenues over expenditures	1 679 27
Fund balance, April 1	<u>502 463 42</u>
Fund Balance, March 31	<u>504 142 69</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 1 679 27

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(30 353 00)
Capital Outlay	<u>6 684 77</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (21 988 96)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Victor, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Victor. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Bingham and Greenbush jointly operate the Clinton Area Fire and Rescue to provide fire protection services for the three entities. For the fiscal year ended March 31, 2008, the Township of Victor provided \$172,721.42 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Victor. Separate financial statements of the Fire Authority may be obtained directly from them at P.O. Box 114 in St. Johns, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 2.4223 mills, and the taxable value was \$111,448,847.00.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>491 645 89</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 740 31
Uninsured and Uncollateralized	<u>391 193 50</u>
Total Deposits	<u>491 933 81</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	127 300 00	-	-	127 300 00
Buildings	226 410 00	6 684 77	-	233 094 77
Equipment	343 185 00	-	-	343 185 00
Total	696 895 00	6 684 77	-	703 579 77
Accumulated Depreciation	(164 933 00)	(30 353 00)	-	(195 286 00)
Net Capital Assets	<u>531 962 00</u>	<u>(23 668 23)</u>	<u>-</u>	<u>508 293 77</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township has a deferred compensation plan covering all employees. The Township contributes a percentage of each employee's wages to the plan. The employees also made contributions to the plan. The net expense for the fiscal year ended March 31, 2008, was \$4,956.41.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Victor does not issue building permits. Building permits are issued by the County of Clinton.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>5 133 65</u>	Current Tax Collection	<u>5 133 65</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	241 066 00	241 066 00	274 249 59	33 183 59
Licenses and permits	10 600 00	10 600 00	6 291 77	(4 308 23)
State revenue sharing	225 000 00	225 000 00	230 367 76	5 367 76
Charges for services:				
Property tax administration	32 150 00	32 150 00	38 509 41	6 359 41
Other	15 500 00	15 500 00	5 591 30	(9 908 70)
Interest	5 000 00	5 000 00	8 011 98	3 011 98
Special assessments	6 720 00	6 720 00	7 300 02	580 02
Miscellaneous	8 900 00	8 900 00	7 156 19	(1 743 81)
Total revenues	544 936 00	544 936 00	577 478 02	32 542 02
Expenditures:				
Legislative:				
Township Board	38 690 00	38 690 00	30 763 62	(7 926 38)
General government:				
Supervisor	12 610 00	12 610 00	12 387 00	(223 00)
Elections	9 500 00	6 950 90	2 488 94	(4 461 96)
Assessor	25 280 00	25 344 36	25 344 36	-
Clerk	21 270 00	21 270 00	21 007 74	(262 26)
Board of Review	1 025 00	1 025 00	884 25	(140 75)
Treasurer	17 800 00	17 800 00	15 625 42	(2 174 58)
Building and grounds	29 100 00	30 667 47	30 667 47	-
Cemetery	12 675 00	13 592 27	13 592 27	-
Public safety:				
Fire protection	173 000 00	173 000 00	172 721 42	(278 58)
Law enforcement	1 000 00	1 000 00	1 000 00	-
Planning	3 750 00	3 750 00	95 00	(3 655 00)
Public works:				
Highways and streets	238 256 00	238 256 00	212 211 59	(26 044 41)
Drains	15 000 00	13 492 40	13 492 40	-
Weeds	15 000 00	15 000 00	12 332 50	(2 667 50)
Economic development:				
Economic development	2 500 00	2 500 00	2 500 00	-
Culture and recreation:				
Library	2 000 00	2 000 00	2 000 00	-
Parks and recreation	100 00	100 00	-	(100 00)
Capital outlay	7 000 00	8 507 60	6 684 77	(1 822 83)
Other:				
Contingency	30 000 00	30 000 00	-	(30 000 00)
Total expenditures	655 556 00	655 556 00	575 798 75	(79 757 25)
Excess (deficiency) of revenues over expenditures	(110 620 00)	(110 620 00)	1 679 27	112 299 27
Fund balance, April 1	110 620 00	110 620 00	502 463 42	391 843 42
Fund Balance, March 31	-	-	504 142 69	504 142 69

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Township Board:	
Salaries	3 875 00
Publishing	1 797 88
Audit	2 200 00
Legal	1 376 00
Miscellaneous	3 510 96
Dues	1 994 50
Payroll taxes	1 250 64
Supplies	3 323 03
Deferred compensation	4 956 41
Insurance	6 479 20
	<u>30 763 62</u>
Supervisor:	
Salary	12 360 00
Miscellaneous	27 00
	<u>12 387 00</u>
Elections:	
Wages	2 025 00
Miscellaneous	463 94
	<u>2 488 94</u>
Assessor:	
Salary	20 730 00
Miscellaneous	4 614 36
	<u>25 344 36</u>
Clerk:	
Salary	14 520 00
Deputy	3 015 00
Miscellaneous	3 472 74
	<u>21 007 74</u>
Board of Review:	
Salaries	825 00
Miscellaneous	59 25
	<u>884 25</u>
Treasurer:	
Salary	14 100 00
Deputy	90 00
Miscellaneous	1 435 42
	<u>15 625 42</u>
Building and grounds:	
Utilities	9 481 84
Insurance	982 84
Contracted services	16 845 00
Supplies	3 357 79
	<u>30 667 47</u>
Cemetery:	
Contracted services	13 322 02
Miscellaneous	270 25
	<u>13 592 27</u>
Fire protection:	
Contracted services	172 721 42
	<u>172 721 42</u>
Law enforcement	<u>1 000 00</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2008

Planning:	
Miscellaneous	<u>95 00</u>
Highways and streets:	
Repairs and maintenance	<u>212 211 59</u>
Drains	<u>13 492 40</u>
Weeds:	
Contracted services	<u>12 332 50</u>
Economic development	<u>2 500 00</u>
Library	<u>2 000 00</u>
Capital outlay	<u>6 684 77</u>
Total Expenditures	<u>575 798 75</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>22 131 21</u>	<u>3 259 032 14</u>	<u>3 276 029 70</u>	<u>5 133 65</u>
<u>Liabilities</u>				
Due to other funds	22 131 21	303 550 44	320 548 00	5 133 65
Due to others	<u>-</u>	<u>2 955 481 70</u>	<u>2 955 481 70</u>	<u>-</u>
Total Liabilities	<u>22 131 21</u>	<u>3 259 032 14</u>	<u>3 276 029 70</u>	<u>5 133 65</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2008

Cash on hand and in bank – beginning of year	<u>22 131 21</u>
Cash receipts:	
Current property tax	3 225 648 36
Property tax administration fees	31 955 68
Interest	<u>1 428 10</u>
Total cash receipts	<u>3 259 032 14</u>
Total beginning balance and cash receipts	<u>3 281 163 35</u>
Cash disbursements:	
Township General Fund	320 548 00
Clinton County	1 670 947 74
Laingsburg Community School	887 669 87
Ovid-Elsie Area Community School	77 434 72
St. Johns Public School	126 960 61
Bath Community School	42 887 02
Clinton County Regional Education Service District	106 344 60
Lansing Community College	15 382 02
Clinton Area Transit System	20 899 08
Refunds	<u>6 956 04</u>
Total cash disbursements	<u>3 276 029 70</u>
Cash on Hand and in Bank – End of Year	<u><u>5 133 65</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 21, 2008

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the financial statements of the Township of Victor for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Victor in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Victor
Clinton County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants